

House Bill 225 (AS PASSED HOUSE AND SENATE)

By: Representatives Royal of the 171st, Golick of the 34th, Roberts of the 154th, Keen of the 179th, O'Neal of the 146th, and others

A BILL TO BE ENTITLED
AN ACT

1 To amend Titles 20 and 48 of the Official Code of Georgia Annotated, relating, respectively,
2 to education and revenue and taxation, so as to change certain provisions regarding the
3 Georgia Higher Education Savings Plan; to change certain provisions regarding savings trust
4 accounts; to change certain provisions regarding the state income tax deduction for
5 contributions to certain college savings plans; to provide an effective date; to provide
6 applicability; to repeal conflicting laws; and for other purposes.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

8 **SECTION 1.**

9 Title 20 of the Official Code of Georgia Annotated, relating to education, is amended in
10 subsection (b) of Code Section 20-3-634, relating to savings trust accounts, by revising
11 paragraph (3) as follows:

12 "(3) Provisions for withdrawals, refunds, rollovers, transfers, and any penalties. An
13 account owner may roll over all or part of any balance in an account to an account
14 established on behalf of a different beneficiary to the extent allowed by Section 529 of the
15 Internal Revenue Code. Unqualified withdrawals of contributions and earnings shall be
16 subject to such penalties or taxation as may be imposed by the Internal Revenue Code. At
17 its discretion, the board may impose additional penalties on unqualified withdrawals to be
18 used by the plan to defray expenses; provided, however, that no such penalty shall apply
19 to any withdrawal that does not require a penalty or tax surcharge under the Internal
20 Revenue Code of 1986. ~~Contributions and earnings shall not be eligible for qualified~~
21 ~~withdrawal until one year from the date of establishment of the account;"~~

22 **SECTION 2.**

23 Title 48 of the Official Code of Georgia Annotated, relating to revenue and taxation, is
24 amended in subsection (a) of Code Section 48-7-27, relating to computation of taxable net

income for state income tax purposes, by revising paragraph (11) and by adding a new paragraph to read as follows:

"(11)(A) For taxable years beginning on or after January 1, 2002, and prior to January 1, 2007, an amount equal to the amount of contributions by parents or guardians of a designated beneficiary to a savings trust account established pursuant to Article 11 of Chapter 3 of Title 20 on behalf of the designated beneficiary who is claimed as a dependent on the Georgia income tax return of the beneficiary's parents or guardians, but not exceeding \$2,000.00 per beneficiary.

(B) If the parents or guardians file joint returns, separate returns, or single returns, the sum of contributions constituting deductions on their returns under this paragraph shall not exceed \$2,000.00 per beneficiary.

(C) In order to claim the deduction for a taxable year:

(i) Such parent or guardian must have claimed and been allowed itemized deductions pursuant to Section 63(d) of the Internal Revenue Code of 1986 and paragraph (1) of this subsection;

(ii) The federal adjusted gross income for such taxable year cannot exceed \$100,000.00 for a joint return or \$50,000.00 for a separate or single return except as provided in subparagraph (D) of this paragraph; and

(iii) Such parent or guardian must be the account owner of the designated beneficiary's account.

(D) The maximum deduction authorized by this paragraph for each beneficiary shall decrease by \$400.00 for each \$1,000.00 of federal adjusted gross income over \$100,000.00 for a joint return or \$50,000.00 for a separate or single return.

(E) For purposes of this paragraph, contributions or payments for any such taxable year may be made during or after such taxable year but on or before the deadline for making contributions to an individual retirement account pursuant to Section 219(f)(3) of the Internal Revenue Code of 1986;

(11.1)(A) For taxable years beginning on or after January 1, 2007, an amount equal to the amount of contributions to a savings trust account established pursuant to Article 11 of Chapter 3 of Title 20 on behalf of the designated beneficiary, but not exceeding \$2,000.00 per beneficiary.

(B) If the contributor files a joint return, separate return, or single return, the sum of contributions constituting deductions on the contributor's returns under this paragraph shall not exceed \$2,000.00 per return.

(C) For purposes of this paragraph, contributions or payments for any such taxable year may be made during or after such taxable year but on or before the deadline for making

1 contributions to an individual retirement account under federal law for such taxable
2 year."

3 **SECTION 3.**

4 This Act shall become effective upon its approval by the Governor or upon its becoming law
5 without such approval.

6 **SECTION 4.**

7 All laws and parts of laws in conflict with this Act are repealed.